MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2022/2023 (TERM ID 2210)

BME1014 –INTRODUCTORY MICROECONOMICS

(All sections / Groups)

08 FEBRUARY 2023
2.30 pm to 4.30 pm
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of 2 pages excluding the cover page with 4 questions only.

2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

a) What are efficiency and equity? (15 marks)

b) Explain the difference between microeconomics and macroeconomics. (10 marks)

(Total: 25 Marks)

QUESTION 2

a) What are consumer and producer surpluses measured? (10 marks)

b) i) Calculate the cross-price elasticity if there is a 20 % increase in New York subway fares. As a result, the quantity demanded of a taxicab ride increases by 5 percent.

(7 marks)

ii) Calculate the income explicitly if an economic expansion causes a 5 % increase in the incomes of tourists visiting New York City. As a result, the quantity demanded of a taxicab ride increases by 2 percent. (8 marks)

(Total: 25 Marks)

QUESTION 3

a) Assume that Jake has \$20. Assume also that the price of chicken wings is \$4 per order and that the price of chili dogs is initially \$2. The following table shows the *MU/P* for chicken wings and chili dogs at their initial prices, as well as the *MU/P* of chili dogs after the price increases to \$4. (12 marks)

Chicken Wing Orders	*MU/P* (Price = \$4)	Chili Dogs	*MU/P* (Price = \$2)	*MU/P* (Price = \$4)
1	30	1	40	20
2	20	2	32	16
3	10	3	20	10
4	5	4	10	5
5	2	5	4	2

Continued....

i) Using the rule of equal marginal utility per dollar spent, how many orders of chicken wings and how many orders of chili dogs will Jake consume when the price of chili dogs is $2? (6 marks)
ii) How many orders of chicken wings and how many orders of chili dogs will Jake consume when the price of chili dogs is $4? (6 marks)

b) Explain the marginal and average product of the labor relationship. (13 marks)

(Total: 25 Marks)

QUESTION 4

a) Explain the differences between perfect competition and monopoly markets. (10 marks)

b) Compare monopolistic and oligopoly market structures. (15 marks)

(Total: 25 Marks)

End of Paper